

4 April 2022

Climate Change Authority
GPO Box 787
Canberra ACT 2600

Submitted via email: enquiries@climatechangeauthority.gov.au

Dear Sir/Madam,

RE: Review of international offsets – April 2022

Hydro Tasmania welcomes the opportunity to respond to the Climate Change Authority's (CCA) consultation paper for its review into the use of international offsets under Commonwealth programs.

Hydro Tasmania acknowledges that we are not currently a direct participant in the carbon offset market, nor are we an Australian Carbon Credit Unit (ACCU) project developer. We are, however, an interested stakeholder in the related areas of climate change and energy, and strongly support the achievement of Australia's emissions reduction targets. We see significant opportunities for decarbonisation within the electricity sector and of the prospect of zero emissions electricity being utilised to underpin emissions reductions in other sectors (e.g. transport, industrial processes). Hydro Tasmania believes Australia's best efforts should be focused on reducing Australia's emissions through structural and technological changes to the Australian economy, with offsets prioritised for use against any residual emissions and for hard to abate sectors.

Carbon offsets are used for a broad range of purposes in Australia, including:

- compliance under the Safeguard Mechanism;
- achievement of organisational emissions reduction targets;
- contribution towards Australia's emissions reduction targets; and
- the certification of carbon neutral products, entities, buildings, etc. under the Climate Active program.

There is also the potential for offsets to be used in concert with the Australian Hydrogen Guarantee of Origin scheme currently being developed by the Clean Energy Regulator and Department of Industry, Science, Energy and Resources. This broad application reinforces the importance of

ensuring offsets used in Australian schemes are of the utmost integrity.

While Hydro Tasmania recognises there are benefits to accepting international offsets under domestic schemes, there are also risks. The CCA's own 2014 research paper *Using international units to help meet Australia's emissions reduction targets* notes these risks as the potential for:

- purchasing non-genuine emissions reductions;
- market fraud; and
- delaying the transition to a low-emissions economy through desirable domestic structural adjustments.

Considering these risks, Hydro Tasmania is of the view that the federal government's **efforts should focus on incentivising and maximising domestic abatement through appropriate policy measures that prioritise emissions reductions – with offsets best used to offset residual emissions.** Australian businesses, consumers and governments have significantly more visibility and governance over the quality of domestic offsets compared to international offsets. It is also in Australia's national interest to focus on supporting local jobs and industry through emissions reductions within Australia where possible. However, we also understand international offsets will continue to be valued products to bolster domestic supply and support consumer choice, as well as ensuring the evolution of effective and enduring markets.

For international offsets eligible under domestic programs, the most important criterion for inclusion is the quality of the abatement methodology. Offsets must represent genuine and long-lived emission reductions. Australia is a leader in this area, so existing offset criteria should remain undiluted. Double counting should not be permitted as it will inflate the reported level of climate action undertaken and decrease the legitimacy of the market.

While this review is focussed on the use of international offsets, we are aware of recent reports covering the quality of Australia's domestic offset market. Australia's approach to both international and domestic offsets should be an evolutionary process. Maintaining confidence in the creation and use of ACCUs will be critical and we support transparency and ongoing verification of existing Emissions Reduction Fund (ERF) methods.

Overall, Hydro Tasmania is of the view that Australia's efforts should be focused on structural emissions reductions, with a place for high-quality offsets where necessary. If you wish to discuss this submission or any related matter in further detail, please contact myself (colin.wain@hydro.com.au or 03 8612 6443).

Yours sincerely,



Colin Wain
Manager Policy Development